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INFORMATION REPORT

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COUNTRY Germany (Russian Zone)

DATE DISTR. 28 Mar 1949

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SUBJECT Alleged Schism in the Volksrat

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- The leadership of the Volksrat in the Soviet Zone is now divided on the 1. basic question of how closely Eastern Germany should be associated with the Soviet Union. One faction, led by Walter Ulbricht, and supported by most of the former members of the KPD, wants the Eastern Zone of Germany to be a satellite of the USSR. The other faction, represented by Otto Nuschke, Hermann Kastner, Georg Dertinger, Wilhelm Pieck, Otto Grotewohl, Wilhlem Koenen, and many leaders of the eastern CDU and LDP, wants to pursue the bloc party policy of close relations with Russia, but wishes to retain a large measure of independence for the German state. The SMA is taking a hands-off policy for the present, and privately playing with both sides.
- The Volksrat has allocated a sum of money to Bernhard von Mutius, secre-2. tary in the Secretariat of the Volksrat, with which to prepare a paper, with the aid of international legal experts, providing legal support for the theory that (a) notwithstanding the establishment of a Western German government, a united German state still legally exists, and that (b) since the four powers failed to bring about German unity, the German people themselves were now free to go about setting up their own government.

This document is hereby regraded to CONFIDENTIAL in accordance with the letter of 16 0 / 10 from the Director of Conn. I mich gence to the Archivist of the United Giates. Next Review Date: 2008

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